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TREND AND ROLL FACTORS:

The authorization of an independent Panel of Health Economists to develop trend factors used in the residential health care facility reimbursement methodology is contained in statute. The following [are] is a summary of the major components of the trend factors methodology as adopted by the Panel of Health Economists.

The actual proxies used in the calculation of the trend factors are listed in p.51(c)(d)(e) and (f). The proxies adopted by the Panel as listed in p.51(c)(d)(e) and (f) may change back to the beginning of the year when data upon which a proxy is based becomes unavailable or by recommendation of the Panel of Health Economists who statutorily are authorized to determine the trend factor methodology.

Projection Methodologies

Labor - In order to quantify the labor price movement component of the trend factor, national proxies are used, adjusted by a Regional Adjustment Factor (RAF) to estimate New York State experience. These proxies are weighted to produce a composite labor price movement. In calculating the initial and revised trend factors for a given year, a projection methodology for the labor price movements is used since actual data for the year are not yet available. The projections are based on the compounding of quarterly increases in the proxies for the four latest available quarters of data. The final trend factor calculations are based on actual proxy data for the trend factor year compared to the preceding year.

All but one of the [some] labor proxies measure increases in compensation and therefore reflect changes in both salaries and fringe benefits. The labor [proxies] proxy which measures only changes in wages and salaries [are] is adjusted by a Compensation Factor (the ration of the percent change in the Employment Cost Index-Compensation to the Employment Cost Index-Wages and Salaries) [for the appropriate series] to incorporate fringe benefits changes.

Non-Labor - A number of different proxies are used to measure price movements in non-labor [related] expenses incurred by facilities. In calculating the initial and revised trend factors, an estimate of the non-labor price movement is made based upon the projection of the GDP [GNP] Implicit Price Deflator. The final trend factor calculations are made using the actual changes in the non-labor proxies.

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ITEM	PROXY
Executive, Administrative and Managerial Personnel	ECI-Civilian-Compensation-Health Services - Executive, Administrative and Managerial 1/
Professional and Technical Personnel	ECI-Civilian-Compensation-Service-Producing Industries-Service-Occupation 41-11-1/ Professional and Technical 1/
Other Personnel	1. ECI-Civilian-Compensation-Service-Producing Industries-Service Occupation 41.11 1/ 2. ECI-Civilian-Compensation-Service-Producing Industries-Clerical 45.01 1/ 3. ECI-Civilian-Compensation-Service-Producing Industries-Blue Collar 8.91 1/ 4. ECI-Compensation-Private Industry-Workers-Union-Service Producing Industries 5.01 1/ Collective bargaining Agreements Service-Producing Industries 5.01 2/ a. ECI-Compensation-Private Industry-Service-Producing Industries 3/ b. ECI-Wages and Salaries-Private Industry-Service-Producing Industries 3/ Average hourly earnings industry composite-New York and U.S.-50% CPI-U-New York City Area, Buffalo Area, Northeast Size b, Northeast Size C. U.S.-50%
Regional Adjustment Factor	
Non-Labor	
Telephone	Telephone rate index
Insurance - Malpractice, general liability, fire & other	Weighted average percent change in insurance cost

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ITEM	PROXY
Legal Services	ECI-Compensation-Private Industry Workers-Professional Specialty & Technical 1/
Auditing Services	ECI-Compensation-Civilian Private Industry Workers -Executive, Administrative and Managerial 1/
Office Supplies	1. Office Supplies & Accessories (PPI) - 15% 40% 2. Unwatermarked Bond, #4 (PPI) 35% 3. Form Bond, 15 lb. (PPI) 30% 4. ECI Compensation Private Industry Workers-Executive, Administrative and Managerial 20% 1/1 2. Office Machines NEC - 12.5% (PPI) 3. Writing and Printing Papers - 20% (PPI) 4. Pens, Pencils and Marking Devices - 12.5% (PPI) 5. Classified Advertising - 7.5% (PPI) 6. Periodicals, Circulation - 7.5% (PPI)
Management Consulting Fees	Average hourly earnings - Management and Public Relation Services 2/ a. ECI Private Industry Workers - Compensation - Executive, Administrative and Managerial 3/ b. ECI - Private Industry Workers - Wages and Salaries - Executive, Administrative and Managerial 3/
Interest Expense - Working Capital	Predominant prime time
Real Estate Taxes	1. NYC tax rates 2. Upstate overall tax rate
Dietary	1. All Foods (PPI) - 40% 2a. Food at Home, U.S. City average (CPI) or 2b. Food at Home, NY-NENJ (CPI) - 40% 3. Cups and Liquid - Tight Containers (PPI) - 3% 4. Tableware, Serving Pieces, and Nonelectric Kitchenware (CPI) - 7% 5a. Food Away From Home, (CPI) U.S. City average or 5b. Food Away From Home, NY-NENJ (CPI) - 10%1
Maintenance & Repairs	Maintenance & Repairs (CPI)

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ITEM	PROXY
#2 Fuel oil	Price, Tank Car Reseller, NYC & Albany
#6 Fuel oil	Price, Tank Car Reseller, NYC & Albany
Natural Gas	NYSDPS data for Brooklyn Union, Central Hudson, Columbia Gas, Con-Ed, L.I. Lighting, National Fuel Dist., Niagara Mohawk, NYS Electric & Gas, Orange & Rockland, Rochester Gas & Electric
Electric Power	NYSDPS price index for Con-Ed, L.I. Lighting, Orange & Rockland, Central Hudson, NYS Electric & Gas, Niagara Mohawk, Rochester Gas & Electric
Water and Sewer	Water and Sewerage Maintenance (CPI)
Disposable Linen	Disposable Diapers (PPI)
Linen and Bedding	Textile House furnishings (CPI)
Housekeeping	Housekeeping Supplies (CPI)
Maintenance and Repairs Other Utilities	Maintenance and Repairs (CPI)

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ITEM	PROXY
Drugs	1. Preparations, Ethical (Prescription) (PPI) - 72.0% 2. Preparation, Prop. (Over the Counter) (PPI) - 5.0% 3. Prescription Drugs (CPI) - 23.0%
Medical Supplies	1. Medical Instruments and Apparatus - (PPI)
Physicians Fees	Physicians' Services (CPI) 4/
Other Health Personnel Fees	ECI - Compensation - Private Industry Workers - Professional Specialty and Technical 1/

- 1/Includes Regional Adjustment Factor
2/Includes Regional Adjustment Factor and Compensation Factor
3/Excludes Regional Adjustment Factor
4/Includes Regional Adjustment Factor and Excludes Compensation Factor

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86-2.13 Adjustments to provisional rates based on errors. (a) Errors resulting from submission of fiscal and statistical information by a residential health care facility may be corrected if brought to the attention of the State Commissioner of Health within 120 days of receipt of the commissioner's initial rate computation sheet. Errors on the part of the State Department of Health resulting from the rate computation process may be corrected if brought to the attention of the commissioner within 120 days of receipt of the commissioner's initial rate computation sheet. Subsequent errors on the part of the State Department of Health resulting from the revision of a rate may be corrected if brought to the attention of the commissioner within 30 days of receipt of the commissioner's revised rate computation sheet. In no event, however, shall a facility have less than 120 days from receipt of the initial rate computation sheets to bring errors to the attention of the commissioner.

(b) Rate appeals pursuant to this section, if not commenced within 120 days of receipt of the commissioner's initial rate computation sheet, may be initiated at time of audit of the base year cost figures at or prior to the audit exist conference. Such rate appeals shall be recognized only to the extent that they are based upon errors in the cost and/or statistical data submitted by the residential health care facility, or by revisions initiated by a third-party fiscal intermediary, or in the case of a governmental facility, by the sponsor government or errors made by the Department of Health.

86-4
supersedes
82-30

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86-2.14 Revision in Certified Rates. (a) The State Commissioner of Health may consider only those applications for revisions of certified rates which are based on:

(1) cost reports filed pursuant to subdivision (e) of section 86-2.2 of this Subpart. Such rate shall become effective on the first day of the [six-month] twelve-month period referred to in section 86-2.2(e) of this Subpart;

(2) six-month cost reports filed pursuant to sections 86-2.10(k)(6) and/or 86-2.15(e). Such rate shall become effective on the first day of the six-month period referred to in sections 86-2.10(k)(6) and 86-2.15(e) of this Subpart;

[(2)](3) errors made by the Department in the rate calculation process and errors in data submitted by a medical facility which have been brought to the attention of the commissioner within the time limits prescribed in section 86-2.13 of this Subpart. This paragraph shall not apply to the patient assessment process as contained in section 86-2.30 of this Subpart;

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[(3)](4) significant increases in overall operating costs of a residential health care facility resulting from the implementation of additional programs or services specifically mandated for the facility by the commissioner;

[(4)](5) significant increases in the overall operating costs of a residential health care facility resulting from capital renovation, expansion, replacement or the inclusion of new programs or services approved for the facility by the commissioner;

[(5)](6) request for waivers of any provisions of this Subpart for which waivers may be granted by the commissioner as prescribed in specific sections; [and]

[(6)](7) alternative means of allocating costs in the cost-finding process which have been submitted with the annual cost report (RHCF-4c) and approved [in accordance with Section 456.2(b) and (c)]; and

[(7)](8) requests for relief from the provisions of section 86-2.25 of this Subpart relating to compensation of other than the administrative type of services rendered by an operator or relative of an operator. Such requests must contain sufficient documentation to demonstrate

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that the services rendered are necessary and are reasonably related to the efficient production of such services.

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(b) An application by a residential health care facility for review of a certified rate is to be submitted on forms provided by the Department and shall set forth the basis for the appeal and the issues of fact. Documentation shall accompany the application, where appropriate, and the Department may request such additional documentation as determined necessary. An application based upon error shall be submitted within the time limit set forth in section 86-2.13 of this Subpart. Beginning with appeals for rate year 1983 and, on an annual basis thereafter for all subsequent rate year appeals, the Commissioner shall act upon all properly documented applications for a rate year based upon errors within one year of the end of the 120-day period referred to in section 86-2.13(a) of this Subpart. The Commissioner shall act upon all other properly documented applications for a rate year

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